

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**  
**Agenda ID 14152**  
**ENERGY DIVISION** **RESOLUTION E-4726**  
**August 13, 2015**

**R E D A C T E D**  
**R E S O L U T I O N**

Resolution E-4726. Southern California Edison Company (SCE) requests approval of its 2014 Renewables Portfolio Standard (RPS) Shortlist Report

**PROPOSED OUTCOME:**

- SCE's shortlist report is approved with modifications
- SCE shall re-evaluate offers for projects interconnected to the Imperial Irrigation District and file a compliance Tier 1 Advice Letter within 10 days that adds to its shortlist and/or explains why there are no changes to its 2014 RPS solicitation shortlist

**SAFETY CONSIDERATIONS:**

- Because this resolution only approves the shortlisting of projects that SCE may negotiate power purchase agreements with, there are not expected incremental safety implications associated with approval of this resolution.

**ESTIMATED COST:**

- There are no expected costs associated with the approval of SCE's 2014 RPS Solicitation Shortlist Report

By Advice Letter 3209-E filed on April 23, 2015 and Advice Letter 3209-E-A filed on May 28, 2015.

---

**SUMMARY**

**Southern California Edison Company's (SCE) 2014 Renewables Portfolio Standard (RPS) Solicitation Shortlist Report is approved with modification.**

In compliance with D.06-05-039 and D.11-11-024, SCE filed Tier 2 Advice Letters 3209-E on April 23, 2015 and 3209-E-A on May 28, 2015, requesting California

Public Utilities Commission (Commission) approval of its 2014 RPS Solicitation Shortlist Report. The Shortlist Report is comprised of a list of projects with which SCE would like to engage in power purchase agreement (PPA) negotiations; SCE's description of its 2014 RPS Solicitation evaluation criteria and selection process; and the report of the Independent Evaluator (IE) who oversaw the solicitation and shortlist selection process.

As authorized in D.14-11-042, SCE issued its 2014 RPS solicitation on December 18, 2014. SCE identified in its solicitation protocol the intent to procure eligible renewable energy and renewable energy credits under long-term PPAs up to its stated renewable net short for Compliance Period 2017-2020 and beyond, with a strong preference for projects that will begin delivering energy in 2016 or later. SCE subsequently evaluated and selected offers for inclusion on a shortlist of projects with which it will engage in PPA negotiations.

Imperial Irrigation District (IID) protested SCE AL 3209-E on several grounds and recommended that SCE AL 3209-E be rejected without prejudice to examine factual and policy issues raised in SCE AL 3209-E in a formal proceeding. IID's protest is accepted in part and SCE's AL 3209-E is approved with modifications.

## **BACKGROUND**

### **Overview of the Renewables Portfolio Standard (RPS) Program**

The California RPS program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036, and SB 2 (1X).<sup>1</sup> The RPS program is codified in Public Utilities Code Sections 399.11-399.31.<sup>2</sup> Under SB 2 (1X), the RPS program administered by the Commission requires each retail seller to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources be an amount that equals an average of 20 percent of the total electricity sold to retail customers in

---

<sup>1</sup> SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007); SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session).

<sup>2</sup> All further references to sections refer to Public Utilities Code unless otherwise specified.

California for compliance period 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020.<sup>3</sup>

Additional background information about the Commission's RPS Program, including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

## **NOTICE**

Notice of AL 3209-E/E-A was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

## **PROTESTS**

SCE's Advice Letter AL 3209-E was timely protested by the Imperial Irrigation District (IID). Specifically, IID recommends that AL 3209-E be rejected without prejudice so that factual and policy issues may be examined in the context of a formal proceeding

SCE responded the IID protest on May 20, 2015. In its reply, SCE recommends that IID's protest should be rejected and AL 3209-E should be approved because IID's protest is without merit.

## **DISCUSSION**

### **SCE requests Commission approval of its 2014 RPS Solicitation Shortlist Report.**

As authorized in D.14-11-042, SCE issued its 2014 RPS RFO on December 18, 2014. SCE subsequently evaluated and selected offers for inclusion on a shortlist of projects with which it will engage in PPA negotiations. In

---

<sup>3</sup> D.11-12-020 established a methodology to calculate procurement requirement quantities for the three different compliance periods covered in SB 2 (1X) (2011-2013, 2014-2016, and 2017-2020).

compliance with D.06-05-039 and D.14-11-042, SCE filed Tier 2 AL 3209-E on April 23, 2015, requesting approval of its 2014 RPS Solicitation Shortlist Report. SCE's Shortlist Report is comprised of a list of projects with which SCE would like to engage in PPA negotiations; SCE's description of its 2014 RPS Solicitation evaluation criteria and selection process; and the report of the Independent Evaluator (IE) who oversaw the solicitation and shortlist selection process.

### **Energy Division Evaluated SCE's 2014 Solicitation Shortlist Report on Multiple Grounds:**

- Independent Evaluator Oversight and Review
- Consistency with SCE's 2014 RPS Procurement Plan
- Consistency with Least-Cost Best-Fit Requirements

### **Independent Evaluator (IE) Oversight and Review**

In D.06-05-039 the Commission directed the IOUs to have an Independent Evaluator (IE) oversee and report on each RPS solicitation. SCE retained Merrimack Consulting (Merrimack) as the IE for its 2014 RPS Solicitation and shortlist selection. The IE conducted activities to review and assess SCE's processes, including SCE's outreach to renewable developers and operators, evaluation of offers, and shortlist selection of offers with which to pursue PPA negotiations.

It is the IE's opinion that SCE undertook adequate outreach to renewable developers and operators and succeeded in conducting a robust and competitive solicitation. In addition, the IE found that overall SCE's LCBF methodology was implemented and applied in a fair and consistent manner in selecting projects for inclusion on its shortlist. While the IE did have suggestions on how future solicitations could be improved, the IE concluded that SCE's shortlisting decisions were reasonable based on a fairly administered and comprehensive process.

Overall, the IE opined that the shortlist merits CPUC approval and SCE selected attractive offers with sufficient generation volumes to meet SCE's RPS requirements even if some projects withdraw or fail. See Confidential

Appendix B for the Independent Evaluator's summary of comments on SCE's Solicitation and Shortlist.

Consistent with D.06-05-039, an Independent Evaluator oversaw SCE's 2014 RPS Solicitation and shortlist selection.

### **Consistency with SCE's 2014 RPS Procurement Plan**

California's RPS statute requires the Commission to direct each utility to prepare an annual RPS Procurement Plan and then review and accept, modify, or reject the RPS Procurement Plan prior to the commencement of a utility's annual RPS solicitation.<sup>4</sup> After the utility selects a shortlist of projects from the annual RPS solicitation with which it will engage in PPA negotiations, the Commission must then evaluate whether the selection of the shortlist was conducted in a manner consistent with the utility's Commission-approved RPS Procurement Plan.

The stated goal for SCE's 2014 RPS Solicitation was to procure RPS-eligible generation under long-term PPAs, with the following preferences:

1. Offers that begin delivery on January 1, 2016 or later;
2. Portfolio Content Category (PCC) 1 and 3 products;
3. Resources that can contribute to SCE's Resource Adequacy (RA) requirement;
4. A delivery term of at least ten years;

The volume of generation associated with shortlisted projects appears to be sufficient to allow SCE to negotiate and execute PPAs for SCE's RPS solicitation goals. All projects included on the shortlist have deliveries beginning in 2016 or later and the majority of projects are proposed as long-term PPAs. Additionally,

---

<sup>4</sup> §399.13.

the IE finds that SCE's evaluation methodology, process, and criteria are generally consistent with its 2014 Renewable Procurement Plan.<sup>5</sup>

SCE's 2014 RPS shortlist selection is consistent with its 2014 RPS Procurement Plan and solicitation goals, as approved by D.14-11-042.

### **Consistency with SCE's Least-Cost Best-Fit Requirements**

D.03-06-071, D.04-07-029, and D.12-11-016 direct the utilities to use certain criteria in their bid ranking and provide guidance regarding the process by which the utilities administer RPS solicitations. Specifically, these decisions direct the use of certain basic components of the IOUs' LCBF evaluations and selection criteria to rank bids in order to select or "shortlist" the bids with which they will commence negotiations.

Consistent with the LCBF decisions, SCE's analysis included a quantitative assessment of conforming offers based on the individual offers costs and benefits. SCE then applied a qualitative analysis to refine its shortlist where it considered facility interconnection progress; portfolio fit regarding commercial online date; technology diversity; seller concentration; shorter contract terms; project viability; and new versus existing projects.

As noted above, the IE oversaw the offer evaluation process and concluded in its report that SCE fairly administered its evaluation of offers in order to establish a shortlist of offers. The IE also included several recommendations for future solicitations such as encouraging bidders to offer variations with different in-service dates and for SCE to post all solicitation materials on its website in addition to the Accion-based solicitation website.

Overall, SCE's solicitation process was fairly administered and SCE's 2014 RPS Solicitation Shortlist was established consistent with LCBF requirements adopted in D.03-06-071, D.04-07-029, and D.12-11-016.

---

<sup>5</sup> SCE AL 3209-E, Appendix D at 30.

### **IID's Protest of the Shortlist Report**

IID submitted both public and confidential versions of its protest to AL 3209-E. In its protest to AL 3209-E, IID recommends that the Commission reject AL 3209-E without prejudice so that issues included in AL 3209-E may be examined in a formal proceeding. Specifically, IID questions the locational description of an offer, offers' resource adequacy valuations, the exclusion of a project, and the treatment of transmission network upgrade costs. IID's protest and SCE's reply regarding specific projects are discussed in Confidential Appendix A of this resolution.

### **IID's protest regarding a factual error in AL 3209-E is denied**

In its protest IID states that AL 3209-E appears to have an error regarding the described location of a project. On May 28, 2015, SCE filed a supplement to AL 3209-E to correct locations for two projects. One of the corrections included in AL 3209-E-A is correcting the error noted in IID's protest. Therefore, IID's protest regarding an error is no longer germane and its protest regarding a factual error in AL 3209-E is denied.

### **IID's protest regarding material omissions in AL 3209-E is denied**

IID asserts in its protest that it cannot ascertain how SCE differentiated resource adequacy benefits between apparently similar resources and why a project was excluded from SCE's shortlist. In SCE's reply, SCE asserts that its 2014 RPS Shortlist Report explains the methodology for calculating resource adequacy benefits and exclusion of the project identified in IID's protest.

Appendix A (SCE's Description of 2014 RPS Offer Evaluation and Selection Criteria and Process) of SCE AL 3209-E includes a description of SCE's methodology for assigning resource adequacy values to offers received in its 2014 RPS solicitation.<sup>6</sup> The methodology description in Appendix A states that each proposal is assigned a capacity benefit, if applicable, and that the benefit is based on the hourly generation profile of the offer and SCE's forecast of capacity

---

<sup>6</sup> SCE AL 3209-E, Appendix A at A-8.

prices. Lastly, offers were assigned additional value if the projects were located in a local reliability area.

Appendix D (Report of the Independent Evaluator Bid Evaluation and Short List Selection Process and Results) of SCE AL 3209-E describes the exclusion of the particular project that IID questions. In addition, as asserted by SCE, Appendix A of SCE AL 3209-E also describes SCE's methodologies for selecting its final shortlist.<sup>7</sup>

Thus, based on the information provided by SCE in AL 3209-E, we find that there are no material omissions, and therefore, IID's protest regarding material omissions is denied.

**IID's protest regarding reimbursable network upgrades is accepted in part**

In IID's protest, IID argues that SCE AL 3209-E is not clear with regards to how reimbursable network upgrades were applied to IID-interconnected projects. Further, IID argues that if transmission network upgrade costs were applied to IID-interconnected resources the costs should not be considered in the same manner as California Independent System Operator (CAISO) transmission network upgrade costs due to the difference between the CAISO tariff and the IID Open Access Transmission Tariff (OATT).

SCE asserts in its reply that it considered significant transmission upgrade costs for projects interconnecting outside the CAISO balancing area as a qualitative factor consistent with its Commission approved 2014 RPS Procurement Plan. Additionally, SCE argues that the Commission has previously determined that it is reasonable to treat these transmission costs as a separate project cost.

SCE's 2014 RPS Procurement Plan included a detailed description of its 2014 RPS LCBF methodology. Additionally, in Appendix A and Appendix D of SCE AL 3209-E there are descriptions of SCE's LCBF methodology and evaluation process. The descriptions provided in SCE's 2014 RPS Procurement

---

<sup>7</sup> SCE AL 3209-E, Appendix A at A-20.



Plan and 2014 RPS Shortlist Report contain a reasonable amount of detail such that it can be determined how IID-interconnected projects were evaluated. Thus, we disagree with IID that it is unclear regarding how SCE evaluated IID-interconnected projects.

We agree, however, with IID that there is a difference between the CAISO tariff and IID OATT with regards to how transmission network upgrade costs are treated.<sup>8</sup> Thus, because the CAISO tariff and IID OATT tariff are different, the LCBF consideration of network upgrade costs may need to be different. Therefore, we make a one-time exception to our previous Commission decisions on the reasonableness to consider non-CAISO transmission costs and direct SCE to re-evaluate IID-interconnected offers such that the differences between the CAISO tariff and IID OATT are considered.

Thus, while SCE's 2014 RPS Solicitation Shortlist as filed in AL 3209-E is consistent with its approved 2014 RPS procurement plan and relevant Commission decisions IID's protest is accepted in part such that SCE shall re-evaluate IID-interconnected project proposals using its LCBF methodology taking into consideration the differences between the CAISO tariff and the IID OATT. Additionally, SCE shall file a Tier 1 Advice Letter compliance filing within 10 days of the mail date of this resolution that 1) explains whether its re-evaluation changed its 2014 Renewables Portfolio Standard shortlist and 2) lists and describes any offers that it has added to its 2014 Renewables Portfolio Standard shortlist based on the re-evaluation of Imperial Irrigation District interconnected offers.

---

<sup>8</sup> For CAISO-interconnected projects, transmission network upgrade costs are reimbursed to the generator over a five year period beginning on the commercial operation date (CAISO Fifth Replacement Electronic Tariff, Appendix Y). For IID-interconnected projects, transmission network upgrade costs are reimbursed to the generator via transmission rate credits (Imperial Irrigation District Open Access Transmission Tariff, Attachment J) and generators pay transmission charges (Imperial Irrigation District Open Access Transmission Tariff, Schedules 1, 2, and 7).

## **Public Safety**

California Public Utilities Code Section 451 requires that every public utility maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment and facilities to ensure the safety, health, and comfort of the public.

This resolution approves SCE's 2014 RPS Solicitation Shortlist Report. Because this resolution only approves the shortlisting of projects that SCE may negotiate with, there are not expected to be any incremental safety implications associated with approval of this resolution.

## **Confidential Information**

The Commission, in implementing Public Utilities Code Section 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of competitive solicitation information. Such information, including bid prices, is confidential for three years.

The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

## **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

## **FINDINGS**

1. Consistent with D.06-05-039, an Independent Evaluator oversaw Southern California Edison Company's 2014 Renewables Portfolio Standard Solicitation and shortlist selection.
2. Southern California Edison's 2014 Renewables Portfolio Standard Solicitation shortlist selection is consistent with its 2014 RPS Procurement Plan, as approved by D.14-11-042.
3. Southern California Edison Company's 2014 Renewables Portfolio Standard solicitation process was fairly administered and Southern California Edison's 2014 Renewables Portfolio Standard shortlist was established consistent with Least-Cost Best-Fit methodology requirements adopted in D.03-06-071, D.04-07-029, and D.12-11-016.
4. Southern California Edison Company's 2014 Renewables Portfolio Standard Solicitation Shortlist is reasonable.
5. The Imperial Irrigation District's protest to the extent that it asserts that Southern California Edison Advice Letter 3209-E contains errors and omissions, is denied.
6. The Imperial Irrigation District's protest, to the extent that it recommends different evaluation treatment of transmission network upgrade costs for Imperial Irrigation District and California Independent System Operator interconnected projects, is accepted in part.
7. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

## **THEREFORE IT IS ORDERED THAT:**

1. Southern California Edison Company's Advice Letters 3209-E and 3209-E-A, requesting Commission review and approval of its 2014 Renewables Portfolio Standard Solicitation Shortlist Report is approved with modification.
2. Southern California Edison Company shall re-evaluate offers from its 2014 Renewables Portfolio Standard solicitation that were to be interconnected to

the Imperial Irrigation District's electrical system such that the differences between the California Independent System Operator Tariff and Imperial Irrigation District Open Access Transmission Tariff are considered.

3. Southern California Edison Company shall file a Tier 1 Advice Letter compliance filing within 10 days of the mail date of this resolution that  
1) explains whether its re-evaluation changed its 2014 Renewables Portfolio Standard shortlist and 2) lists and describes any offers that it has added to its 2014 Renewables Portfolio Standard shortlist based on the re-evaluation of Imperial Irrigation District interconnected offers.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 13, 2015; the following Commissioners voting favorably thereon:

---

TIMOTHY J. SULLIVAN  
Executive Director

## Confidential Appendix A

Confidential Supplemental Information regarding  
Protest to SCE AL 3209-E and SCE Reply

**[Redacted]**

## Confidential Appendix B

Excerpt from the Independent Evaluator's Report on  
SCE's 2014 RPS Solicitation<sup>9</sup>

**[Redacted]**

---

<sup>9</sup> Report of the Independent Evaluator Bid Evaluation and Short List Selection Process and Results (April 24, 2015), Merrimack Energy Group, Inc. (submitted as Appendix D in SCE AL 3209-E)